

CITY OF TUCSON

FINANCE DEPARTMENT
AUDIT DIVISION NEWSLETTER

(520) 791-4681
DECEMBER 1998

CONTRACTING - Agent Agreement

If a client is able to make a retail purchase of an item tax exempt, contractors will be able to incorporate the item into the contract and not charge tax on the item. Beginning January 1, 1999, a Purchasing Agent Agreement will no longer be necessary. You will need to itemize the item and amount in your contract or billings in order to claim the exemption.

LUXURY TAX

This federal excise tax on passenger vehicles [26 U.S.C. § 4001(.01)] is not taxable and has been excludable from gross income since July 1996.

PHOTOGRAPHERS, STILLS, MOVIES, VIDEOS

Gross income is subject to tax. Some examples of income are: cancellation fees, sitting charges, developing, enlargements, lighting fees, retouching, video production, video tapes, school pictures, editing, travel time, reprints, anything done on the computer to change the image(s), and everything involved in producing a product for industrial purposes or marketing. However, professional services greater than 15% of gross income, if itemized to the customer, are exempt from tax. Examples of professional services include: research, script consulting, location charges, director and crew charges, post and/or pre-production charges and music charges.

LIBRARY PURCHASES

Publicly funded libraries are no longer taxed on their purchase of printed or photographic materials and electronic or digital media materials as of July 1, 1998.

TRAINING, JOB PLACEMENT OR REHABILITATION PROGRAMS

If a non-profit entity has received tax exempt status from the Internal Revenue Service as a 501(c)(3) because **they provide job placement, rehabilitation or training for handicapped persons** they are exempt from tax on the rental or leasing of tangible personal property (activity 14) and the retail purchases (activity 17) as of July 1, 1998.

TRANSIENT RENTAL MOTEL/HOTEL PURCHASES

Personal hygiene items sold to a provider of transient lodging for use by their guests shall be exempt from tax as of July 1, 1998.

RESALES HANDLED THE SAME REGARDLESS OF CUSTOMER SITE

It does not matter if your customer is from any of the 50 states, Canada, Mexico, or other foreign countries, the documentation you should obtain is the same when you sell to someone for resale. You must obtain their business name and full address. Always get a statement from the buyer that the items being purchased are to be sold in the buyer's ordinary course of business. Obtaining license numbers issued by the state and, local government is helpful. Properly completed Arizona Department of Revenue resale forms are acceptable to the City of Tucson.

RENTAL TAX ON REAL PROPERTY

The current rental tax rate of non-residential real property is two percent (2%) because the State of Arizona no longer taxes this activity. Do you personally lease property to "your" corporation? If so, it is taxable. We have a brochure we can send you regarding real property rentals. Just call us at 791-4681 and ask for the real property brochure. (*added 11/99 - [Real Property Rental brochure is now available on-line.](#)*)

CUSTOMERS LIVE OUTSIDE ARIZONA?

If the customer is on your premises, or places the order from within Arizona, even if they are a non-resident, the order is a taxable local sale. If you are a retailer and wish not to pay us tax on your sales to non-residents, you must receive the order across state lines, **AND** you must ship the goods to your customer out of state (documentation of both is required). For shipments to Mexican Nationals, you may choose to ship goods to a Custom House Broker in Arizona who will then transport the goods across the Mexican/U.S. border. Shipments to anyone within Arizona, regardless of where they live, are taxable. This includes shipments to Canadians or Mexican Nationals when shipped to any point within Arizona. Motor vehicle dealers have just one requirement of delivering the vehicle out of state.

DELIVERY CHARGE FOR GOODS SHIPPED TO CUSTOMER

A delivery charge from your Tucson location to your customer is exempt when itemized on the invoice and in your records. The delivery charge from your supplier to your Tucson location is considered "freight in" and taxable. A delivery charge from your supplier directly to your customer is also taxable.

DO YOU HAVE TAX QUESTIONS?

If you have tax questions, please call 791-4681 Monday through Friday from 8 a.m. until 5 p.m. If you would like to receive a written response to your questions regarding unusual transactions, send your **detailed** explanation of the transaction to:

Revenue Administrator
City of Tucson
PO Box 272 1 0
Tucson, AZ 85726-7210

TAX SEMINARS FOR NEW BUSINESSES

Seminars are given with emphasis towards new businesses on the dates below. They start at 9:30 a.m. and end by 12:30. The dates for the Main Library (101 North Stone Avenue) are: March 1, July 15, and November 18. The Wilmot Library (530 North Wilmot Road) dates are: January 14, May 13, and September 9. Please call us to register within ten days prior to the free seminar. We will need your name and how many will be attending. At that time we will confirm the time, location, and tell you about parking availability. We hope to see you there! (*added 11/99 - next year's [Seminar Schedule](#) is now on-line*)

THANK YOU FOR READING THIS NEWSLETTER!